



Rural Residential 2012 Assessment Brief

Property Tax Account:

Municipal Address:

Legal Description:

2012 Assessment

Hearing Date:

The City of Edmonton requests that the assessment for this property be <choose one>confirmed/reduced to \$x/increased to \$x.

MASS APPRAISAL

Mass appraisal is a methodology for valuing individual properties which involves the following process:

- properties are stratified into groups of comparable property
- common property attributes are identified for the properties in each group
- a uniform valuation model is calibrated for each group using market information incorporating the property attributes

Mass Appraisal and Single Property Appraisal

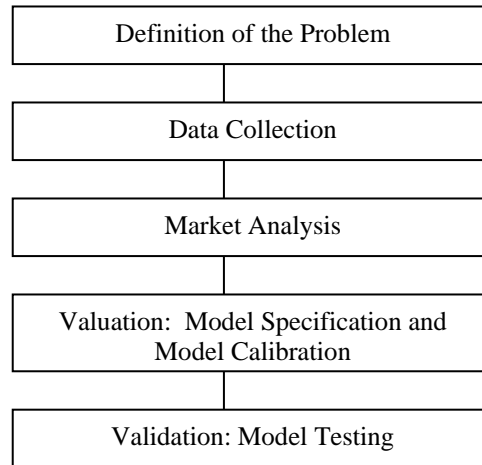
The appraisal process recommended by the Appraisal Institute of Canada is essentially the same for mass appraisals and single-property appraisals. Such differences as do exist are the results of differences of scale. The following two quotations indicate how the International Association of Assessing Officers distinguishes between mass appraisal and single-property appraisal:

... “*single-property appraisal is the valuation of a particular property as of a given date: mass appraisal is the valuation of many properties as of a given date, using standard procedures and statistical testing.*”

... “*Also, mass appraisal requires standardized procedures across many properties. Thus, valuation models developed for mass appraisal purposes must represent supply and demand patterns for groups of properties rather than a single property.*”

The International Association of Assessing Officers, *Property Appraisal and Assessment Administration*, Chicago, Illinois, 1990, pg.88-89.

The appraisal process, as followed for both mass appraisal and single-property appraisal, consists of the following stages:



PROCESS	MASS APPRAISAL	SINGLE APPRAISAL
Definition and purpose	Mass appraisal is used to determine the assessment base for property taxation in accordance with legislative requirements.	The client specifies the nature of the value to be estimated, including rights to be valued, effective date of valuation, and any limiting conditions.
Data Collection	Mass appraisal requires a continuing program to maintain a current database of property attributes and market information.	The extent of data collection is specific to each assignment and depends on the nature of the client's requirements.
Market Analysis	Mass appraisal is predicated on highest and best use.	Market analysis includes the analysis of highest and best use.
Valuation Model Specification and Calibration	Valuation procedures are predicated on groups of comparable properties.	The subject property is the central focus of the valuation procedures. The analysis of comparable properties is restricted to a few properties – generally six or less.
Validation	The testing of acceptable analysis and objective criteria.	The reliability of the value estimate is more subjective. Acceptability can be judged by the depth of research and analysis of comparable sales.

Mass Appraisal Approaches

Cost Approach:

The cost approach involves adding the depreciated replacement cost of improvements to the estimated value of land (derived from direct sales). The cost approach was only employed to derive market estimates for properties whose market values were not accurately predicted by the sales comparison approach.

Income Approach

The income approach was not employed to derive market estimates for any properties considered within the rural residential inventory.

Sales Comparison Approach

In the sales comparison approach, market value is estimated by comparing the subject property to similar properties that have recently sold, are listed for sale or under contract. A major premise of the sales comparison approach is that the market value of a property is directly related to the prices of comparable, competitive properties.

In the case of rural residential properties in the City of Edmonton, the sales comparison approach has been selected as the most appropriate approach to land valuation.

All sales and listings within the City of Edmonton were reviewed and analyzed. *Sales reflect the condition of a property as of the sale date and thus may not always be equivalent to their assessed value.*

The International Association of Assessing Officers (IAAO) *Standard on Mass Appraisal of Real Property*, Chicago Illinois, 2002, sets out the recommended uses of the three approaches. Section 4.3 of the IAAO standard states:

Reliability of the sales comparison approach rests on the number and quality of available sales. When sufficient valid sales are available, this approach tends to be the preferred valuation method.

Mass appraisal requires that a uniform valuation method be applied to all properties within a group; therefore the sales comparison approach was deemed to be the best method of establishing equitable land valuation estimates for this property group.

APPLICATION OF MASS APPRAISAL PROCESS

The Groups

Commercial/Industrial/Dual Use:

- Land-Non-Residential
- Vacant Commercial Land
- Vacant Industrial Land
- Vacant Agricultural Land
- Vacant Residential Lands

The most appropriate approach for vacant and or developed rural residential properties:

Sales Comparison Approach

The sales considered in the rural residential land model were gathered from January 2008 to July 2011. The City of Edmonton uses the date that legal title is transferred at the Land Titles Office to determine the sale date of a property. Sales were validated by conducting site inspections and interviews, by using two data collection sources (Alberta Data Services and The Network), by title transfers (change of ownership) and by sales validation questionnaires. Finally, value estimates were calculated using multiple regression analysis, which replicates the forces of supply and demand in the market place.

Agricultural zoned land sales were analyzed further for future zoning changes, based on current and proposed area structure plans, availability of services and/or cost of providing services. Actual land use of the properties was reviewed to determine assessment standards. Sales of properties with improvements were analyzed to determine what amount was attributed to the buildings.

Attributes Used to Specify the 2011 Valuation:

Rural Residential

- Lot size
- Location
- Study/Market Area
- Servicing
- Other adjustments as required; i.e.: shape, accessibility, contamination, easement, remnant lot, isolation, restricted development etc.

Agriculture

- Lot Size
- Dual use - application of rates and area in use
- Market rate plus agricultural productivity rating
- Location allowances

Public Utility (PU)

- Lot Size

Application and adjustments to the model:

Adjustments to the model include servicing, remnant/utility lots, oversize, shape, easements, access/isolation.

Raw Land

Rural Residential or Urban Agricultural land that is unserviced.

Services

Reductions to accounts missing services are dependent on the level of servicing available or missing.

Remnant or Utility Lots

Assessed at 40% of the market value (where reductions are applied for both servicing and utility/remnant lots, only the greater of the two adjustments is applied).

Oversize Adjustments

Applied to reduce a portion of a serviced lot to a level equivalent to raw land.

Area in Use

Includes storage areas and site coverage or dual use.

AGU Lands

If services are available, AGU zoned land will have a minimum 12,140 m² (3 acres) assessed at market value.

AGU land less than 4047 m² (1 acre) is assessed at full market value.

When services are not available, recapping may be applied to AGU Zoned vacant lands assessed at market value (this provides time to bring the property into production).

Farmland

Farmland vacant less than or equal to 10 hectares is assessed at the maximum Farmland (F/L) rate of \$786.90/ha. Farmland vacant greater than 10 hectares is assessed at the F/L rate of \$786.90/ha and adjusted for productivity.

Agricultural/Dual Use (Application of *Matters Relating To Assessment and Taxation Regulation 220/2004*)

Application of three acre market value component where:

- (1) water and sewer are available
- (2) another use other than farm productivity
- (3) residential component exists

School Taxes

The *School Act* and *Municipal Government Act* require municipalities to collect school taxes on behalf of the provincial government. Unless property is exempt from taxation under s.351 or s.362, school taxes are payable by all property owners, regardless of whether the owners reside in the City of Edmonton and whether or not they have children currently attending school. The amount of school taxes payable by a property owner must be shown on the tax notice.

School support is the designation of school taxes to either the public school system or separate school system. By default, the designation of school taxes levied on properties located in the City of Edmonton is to support the public school system, however property owners who are Roman Catholic must designate their school taxes to support the separate school system by completing a School Support Declaration.

City Council may only refund the municipal portion of property taxes under s.347; the school taxes must still be remitted to the Province by the City. The Assessment Review Board does not have the jurisdiction to change or waive school taxes, however it may order a change in the designation of school support.

Summary

Rural residential properties are assessed using the sales comparison model, which adjusts for attributes that impact market value in order to arrive at a typical market value for properties in these classes.

The resulting assessments were tested. The results indicated that our model predictions of value meet Provincial Quality Standards as set out in the *Matters Relating to Assessment and Taxation Regulation, AR 220/2004*.

The assessment models, the process utilized, and the results are submitted annually to the Assessment Services Branch of the Department of Municipal Affairs for audit purposes. The audit is used to determine the accuracy of our predictions relative to the market place, and is a direct reflection on the accuracy of our models.

The City of Edmonton has met all governing legislation including regulations and quality standards.